

Internet Initiative Japan (Nasdaq: IIJI)

August, 2002

Statements made in this press release that state IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IIJ's ability to maintain positive operating income, IIJ's net loss for the past five fiscal years and its expectation that net losses will continue, IIJ's ability to continue to increase subscribers to its connectivity services, particularly at higher bandwidths; IIJ's ability to generate significant revenues from its other services such as systems integration; the success of IIJ's investments in Crosswave; the ability to compete in a rapidly evolving and competitive marketplace; the impact of technological changes in its industry; and other risks referred to from time to time in IIJ's filings on Form 20F of its annual report and other filings with the United States Securities and Exchange Commission.

- **Total revenues was above the expected range**

- JPY9.9B (\$82M), 18.2% up from 1Q01 & 18.7% down from 4Q01
- The anticipated decline from 4Q01 was due to seasonality in SI business.

- **Temporal decline in the operating profitability**

- Reflecting the anticipated lower revenues and higher costs in the SI business and human resources.
- Operating margin declined to 9.1%, from 12.5% in 1Q01 and 11.6% in 4Q01
- Operating loss of JPY464M (\$3.9M)
- EBITDA remained positive at JPY329M

- **Guidance in the 2Q02**

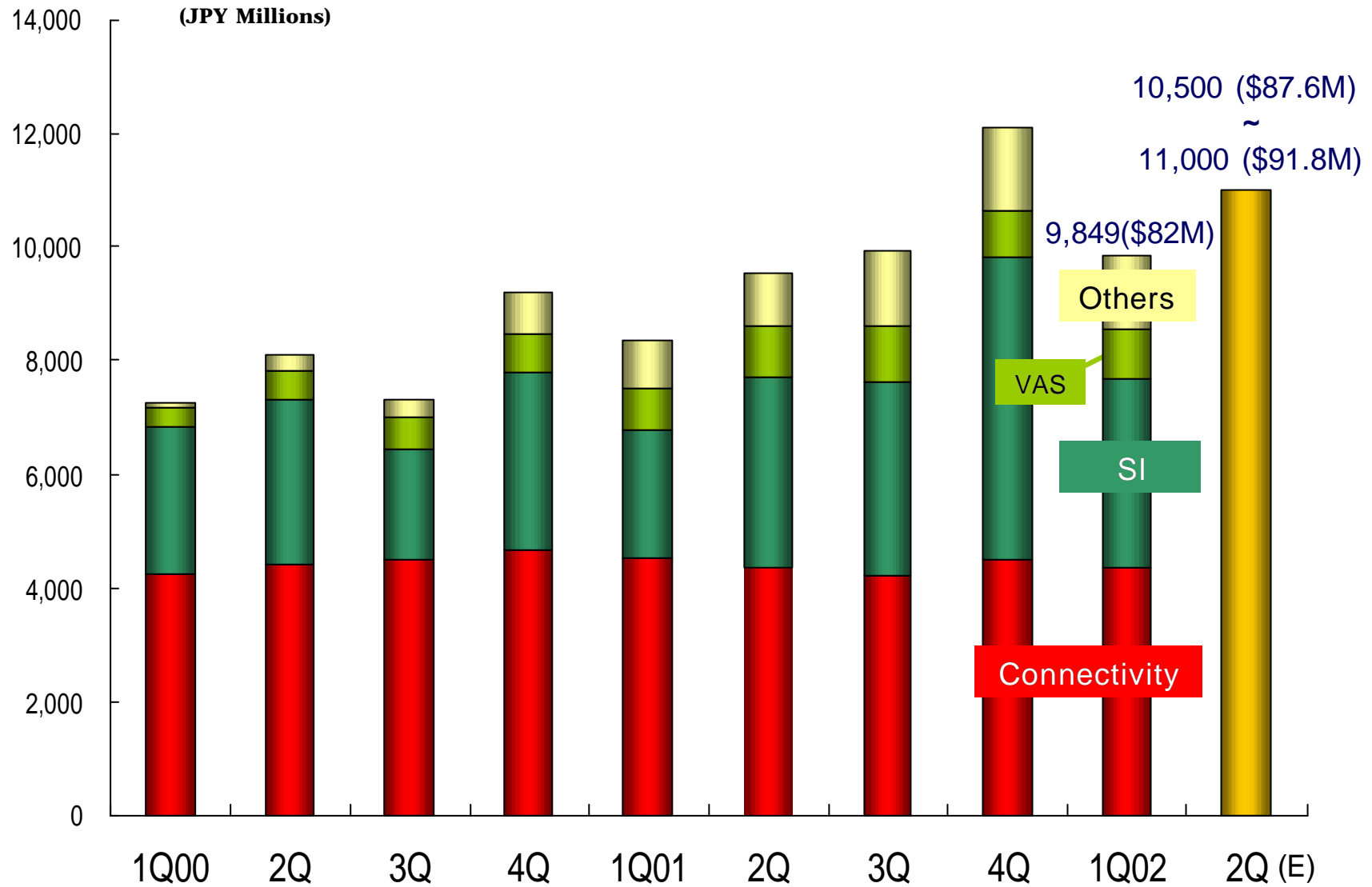
- Revenues to be between JPY10.5B(\$87.6M) and JPY11.0B(\$91.8M)
- Operating Income/loss to be at or near break-even level
- As a result, revenues in the first half of fiscal year to grow by more than 15%

- **Guidance for full fiscal 2002**

- Revenues to grow by approximately 20%
- Company is confident of meeting analysts consensus expectations for operating income, which is JPY980 M

Revenues Breakdown (Quarterly)

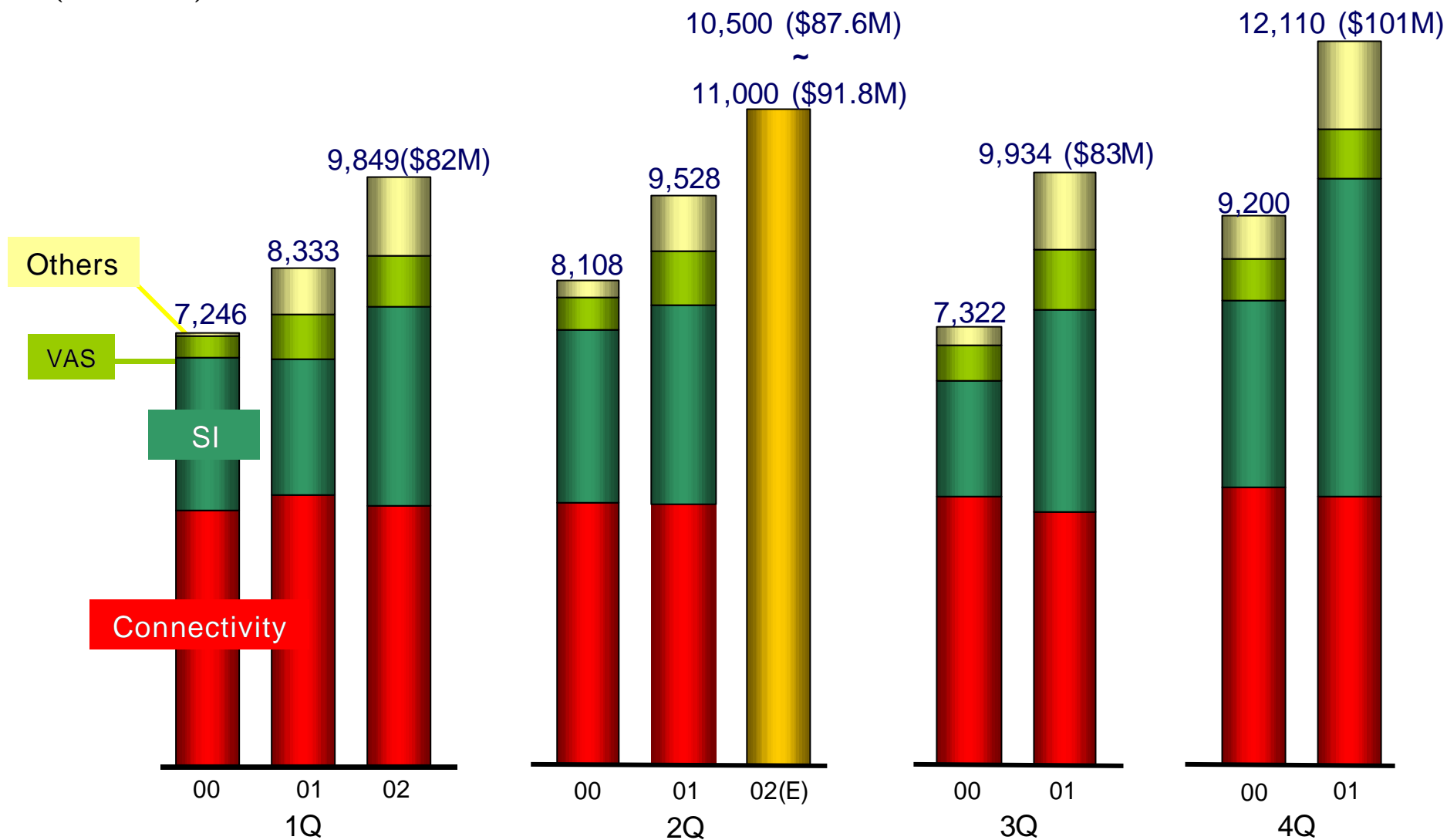
\$1=JPY119.85

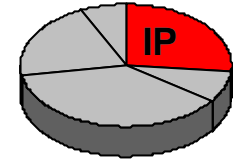


Revenues Breakdown (Quarterly)

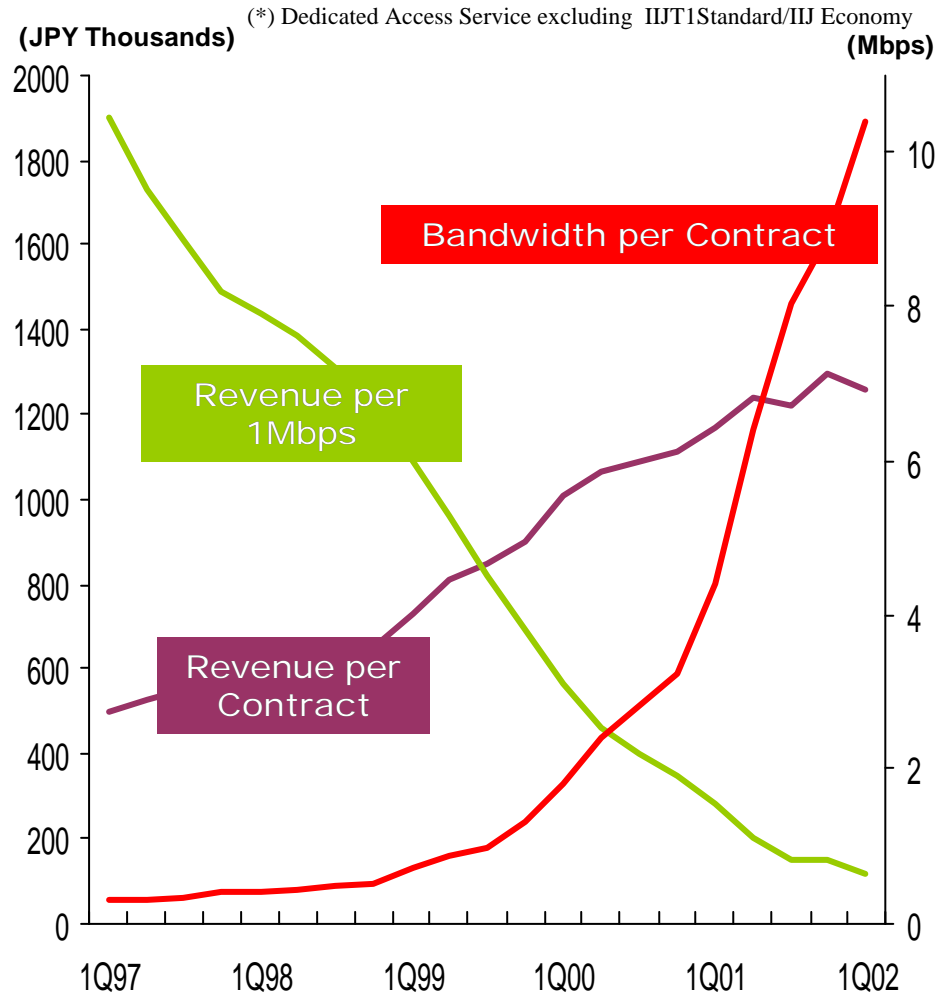
\$1=JPY119.85

(JPY Millions)

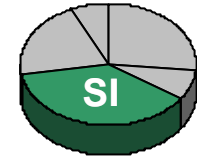




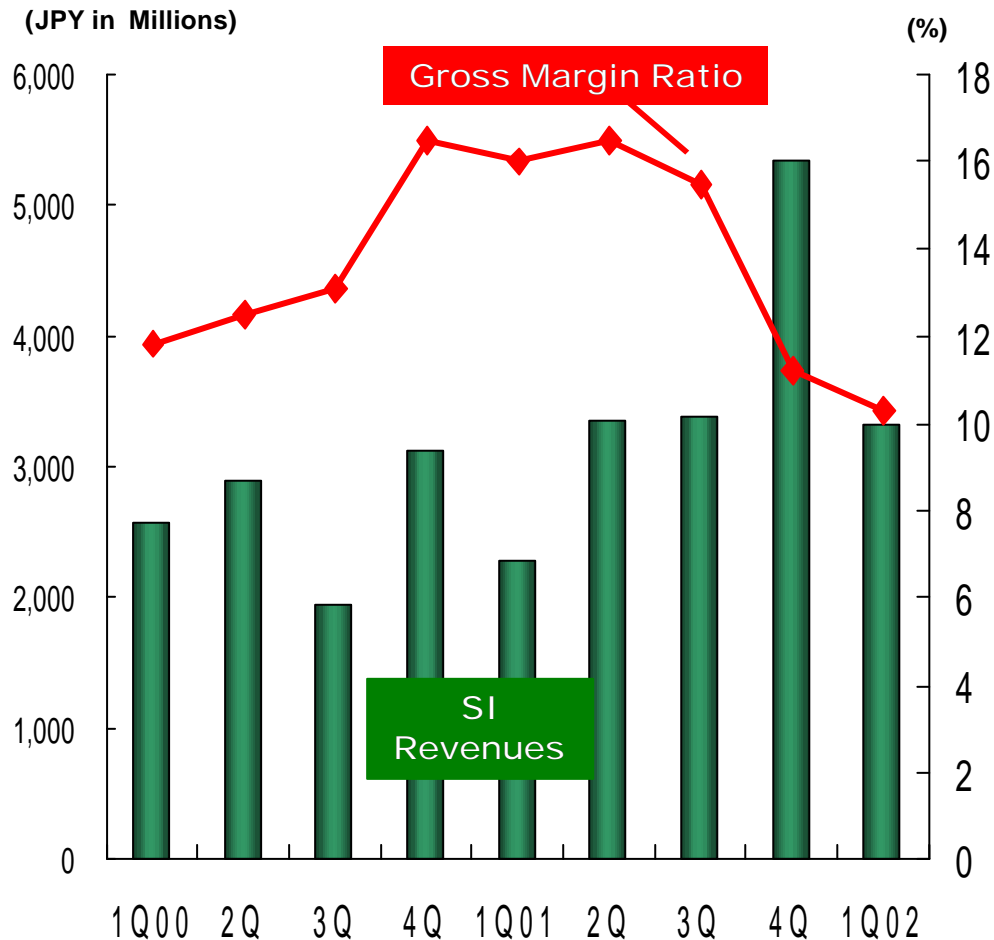
IP Service(*) ARPU



- Steady increase in the number of high bandwidth services contracts
- Steady increase in the total number of contracted bandwidth (14.4Gbps, a 26% quarter-over-quarter growth)
- Margin deteriorated due to some of large customers' consolidations of their Internet connectivity
- Recovery in 2Q02 by capitalizing CDN JAPAN services and rapid growth in the Internet connectivity market over FTTH (Fiber To The Home).

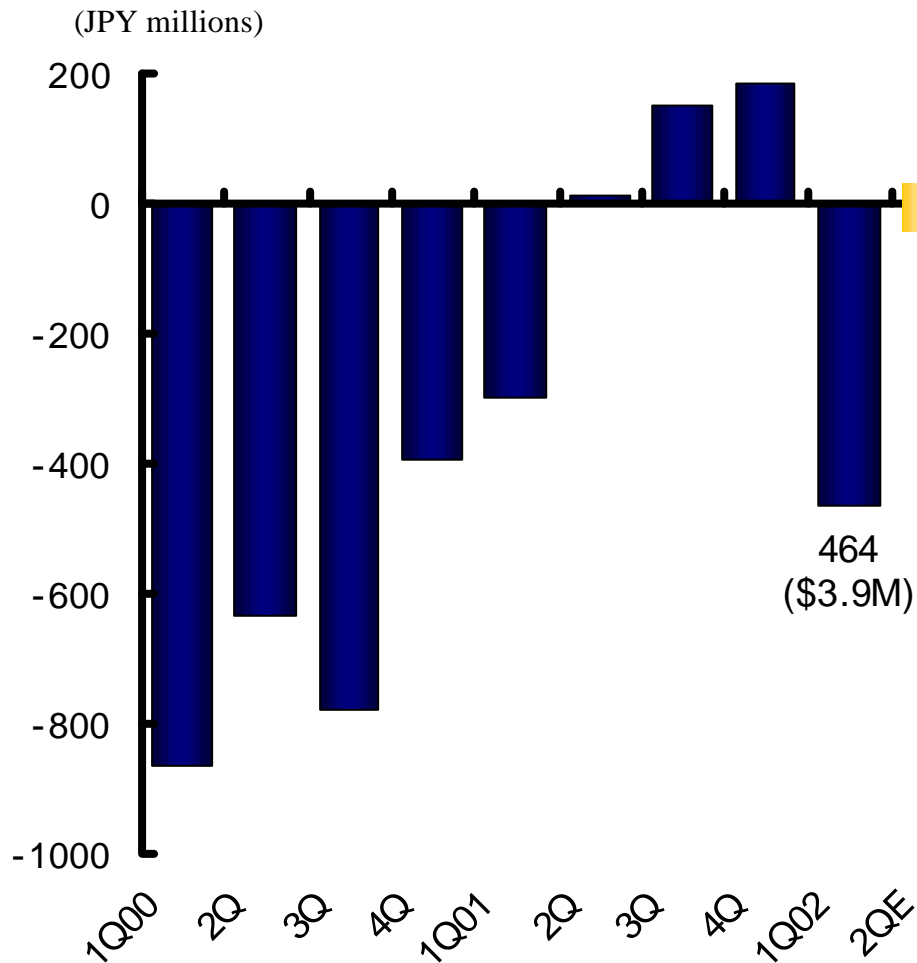


Revenues and Gross Margin Ratio



- Despite the typical seasonal weakness, 46.0% year-over-year growth
- Margin declined due to higher costs for new project developments in association with rapidly diversifying SI business
- Deferred contract with high margin to 2Q02
- Expecting steady growth and improved margin in the 2Q02

Operating Income/Loss



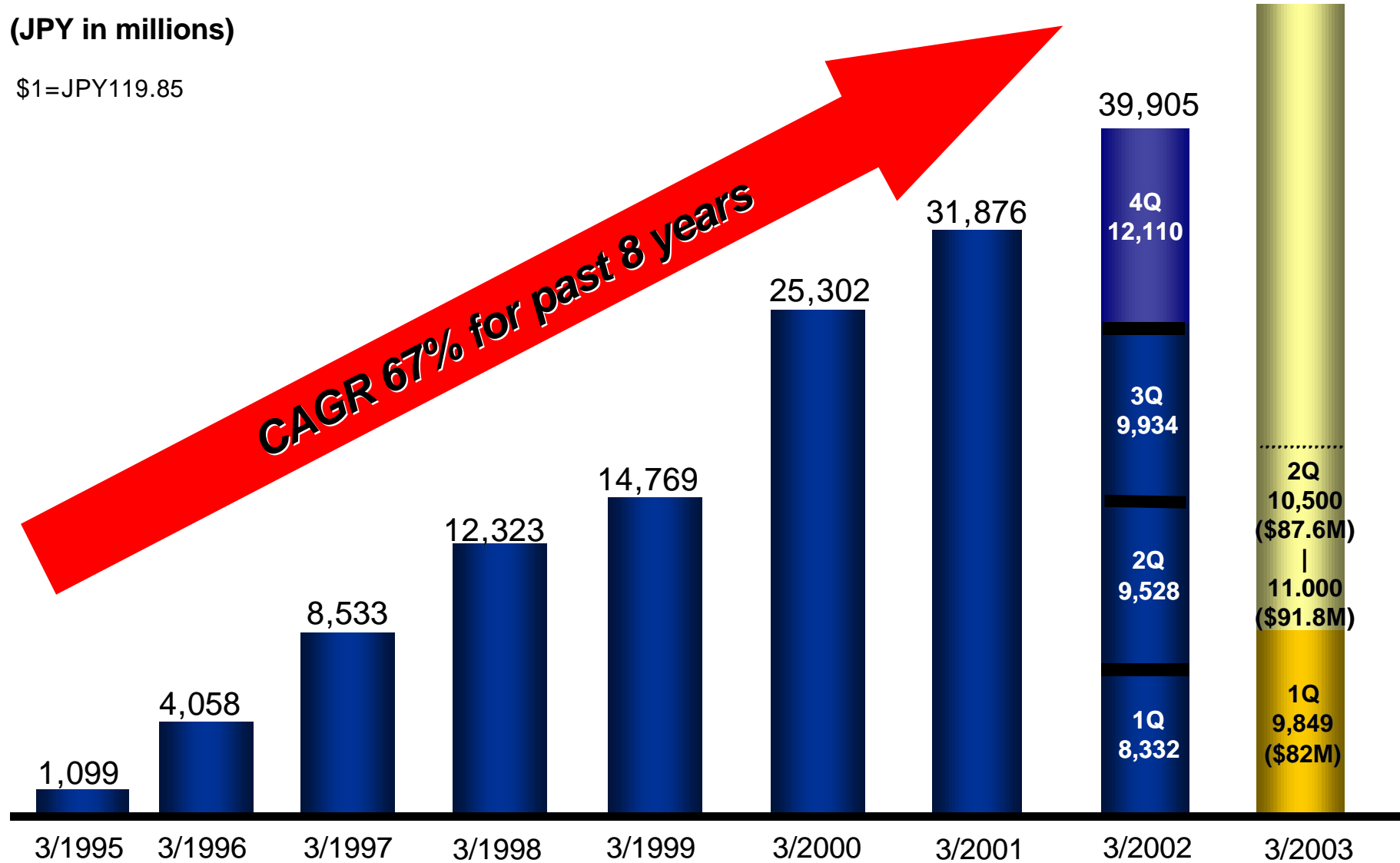
- IIJ reported an operating loss of JPY464 million (\$3.9M). This was due not only to lower revenues, but also to decreased margins. The company believes that its operating loss in 1Q02 is temporary.
- IIJ is expecting to report operating results at or near break-even level in 2Q02.

Revenues Growth (Full Fiscal)

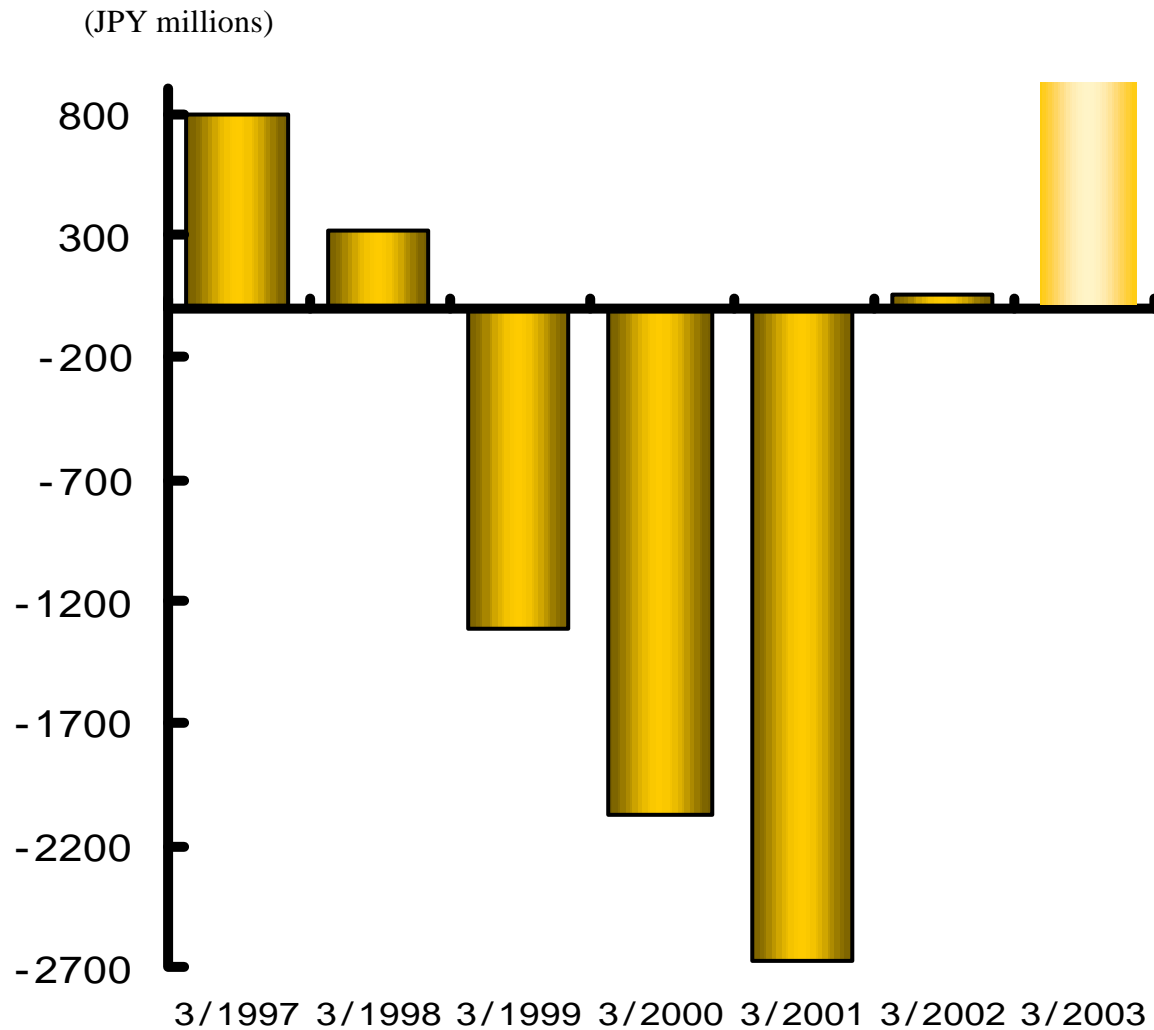
20% expected growth

(JPY in millions)

\$1=JPY119.85



Operating Profitability (Full Fiscal)



● The Company is confident of meeting analysts' consensus^(*) expectations for operating income for the full fiscal year.

* Consensus on operating income was derived by averaging the financial forecasts for IIJ as supplied by the following five firms: Goldman Sachs, Morgan Stanley, JP Morgan, Credit Suisse First Boston and Daiwa Institute of Research.